

Message Text

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53

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 CIAE-00

COME-00 FRB-01 INR-07 IO-10 NEA-10 NSAE-00 OPIC-06

LAB-04 SIL-01 OIC-02 DODE-00 DOTE-00 FMC-02 CG-00

OFA-01 DLOS-04 /117 W

----- 057174

R 161537Z DEC 75

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 5619

INFO AMEMBASSYPARIS

AMEMBASSY LONDON

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY STOCKHOLM

AMEMBASSY HELSINKI

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY OTTAWA

AMEMBASSY ATHENS

AMEMBASSY TOKYO

AMEMBASSY OSLO

AMEMBASSY MADRID

AMEMBASSY LISBON

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

USMISSION EC BRUSSELS

MARAD WASHDC

UNCLAS BRUSSELS 11260

MARAD PASS NACHTSHEIM, ASST. ADMIN. FOR OPERATIONS.

E.O. 11652: N/A

TAGS: EWWT, OECD

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SUBJECT: SUMMARY OF O.E. C.D. WORKING PARTY NO. 6 ON

SHIPBUILDING MEETINGS OF DEC. 9/10, 1975

THE SUBJECT MEETING WAS ALMOST ENTIRELY DEVOTED TO THE CONFRONTATION BETWEEN EUROPEAN AND JAPANESE DELEGATES OVER ALLEGED PRICE CUTTING BY JAPANESE SHIPYARDS AND THE RELUCTANCE OF THE JAPANESE TO FREEZE THEIR PRESENT SHARE OF THE WORLD MARKET AND TO TAKE IMMEDIATE STEPS TO LIMIT THEIR PRODUCTIVE CAPACITY.

IT WAS UNANIMOUSLY AGREED THAT THE BLEAK LONG TERM SUPPLY DEMAND IMBALANCE HAS NOT AMELIORATED SINCE THE LAST MEETING OF THE WORKING PARTY AND THAT THE SHORT-TERM PICTURE HAS IN FACT WORSENED.

RECENT MEETINGS BETWEEN JAPANESE AND EUROPEAN INDUSTRY GROUPS IN TOKYO AND SAN FRANCISCO HAVE APPARENTLY ACCOMPLISHED LITTLE OTHER THAN PROMISES BY BOTH SIDES TO EXCHANGE INFORMATION.

THE E.E.C. DELEGATION ACCUSED THE JAPANESE OF PRICE CUTTING, STATING THAT AN E.E.C SURVEY OF FIFTEEN RECENT SHIP ORDERS INDICATED BIDS BY JAPANESE YARDS AVERAGED THIRTY-FIVE PERCENT BELOW EUROPEAN PRICES QUOTED WHILE E.E. C. ECONOMISTS CALCULATE THE JAPANESE BREAK EVEN POINT AT ONLY THIRTEEN PERCENT BELOW EUROPEAN PRICE LEVELS.

THE JAPANESE DELEGATION DISPUTED THE E.E.C. ALLEGATION, STATING THAT JAPANESE GOVERNMENT POLICY PRECLUDED JAPANESE YARDS FROM QUOTING BELOW PRODUCTION COSTS. THEY NOTED THAT JAPANESE YARDS WERE MORE WILLING TO DIVULGE THEIR COST/PRICING INFORMATION THAN WERE EUROPEAN YARDS AND OFFERED TO EXCHANGE COST/PRICE DATA IF THE EUROPEANS WOULD RECIPROCATE. THE E.E.C. DELEGATION IMMEDIATELY TOOK UP THE "CHALLENGE AND IT WAS AGREED TO RAISE THE ISSUE AT MEETINGS IN BRUSSELS DEC. 11-12 BETWEEN THE E.E.C. COMMISSION AND THE JAPANESE DELEGATION THERETO. THIS WAS THE ONLY PROGRESSIVE RESULT OF THE MEETING OF THE WORKING PARTY.

THE FORMAL JAPANESE POSITION AT PRESENT IS TO
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COMPLETELY DENY PRICE-CUTTING AND TO REMAIN NON- COMMITTAL REGARDING A FREEZE OF MARKET SHARE AND REDUCTION OF PRODUCTIVE CAPACITY, THE LATTER BEING ACTED ON ONLY AS A POSSIBLE REACTION TO THE CONCLUSIONS OF A JAPANESE MINISTRY OF TRANSPORT STUDY ON SHIPBUILDING DEMAND IN THE NONETEEN EIGHTIES TO BE COMPLETED IN THE SPRING OF 1976. ANY ACTIONS TAKEN AT THAT TIME REGARDING REDUCTION OF SHIPBUILDING CAPACITY WOULD ONLY BE DONE WITHIN THE CONTEXT OF A NATIONAL FIVE YEAR ECONOMIC PLAN HAVING TAKEN

THIS STAND, THE JAPANESE ARE ONVIOUSLY STALLING WHILE AT THE SAME TIME APPEARING TO BE COOPERATIVE BY SHOWING A WILLINGNESS TO CONTINUALLY MEET TO DISCUSS THE PROBLEM AND TO AGREE TO BROAD, GENERAL PRINCIPALS OF BEHAVIOR THAT REALLY DO NOT GO BEYOND THE COMPETITIVE PARAMETERS ESTABLISHED BY THE WORKING PARTY DURING BETTER TIMES IN THE WORLD SHIPBUILDING MARKET.

THE EUROPEANS ARE INCREASINGLY FRUSTRATED IN THEIR ATTEMPTS TO BRING THE JAPANESE INTO A SCHEME TO RATIONALIZE WORLD SUPPLY/DEMAND. THEY EMPHASIZE THE INADEQUACY OF MERE EXCHANGES OF INFORMATION AND OTHER TOKEN GESTURES WHEN MOST OF THEIR YARDS WILL HAVE NO WORK AFTER MID-1977 AND THE NEED FOR ACTION IS NOW THE FRENCHSITUATION IS TYPICAL - 95 PERCENT OF ORDER PLACED BY FRENCH SHIPOWNERS SINCE LAST JULY HAVE GONE TO JAPANESE BUILDERS WHILE THE EUROPEANS ARE REMAINING CAREFUL AT THIS STAGE NOT TO DESTROY OR DENIGRATE THE WORK ACCOMPLISHED TO DATE BY THE WORKING PARTY, THEY ARE OBVIOUSLY FED UP WITH THE INABILITY OF THE WORKING PARTY TO PLAY A STRONGER ROLE IN DEALING WITH THE PRESENT CRISISWHICH IS APPARENTLY BEING LEFT NOW TO OTHER BODIES TO DEAL WITH. IN FAIRNESS HOWEVER IT MUST BE NOTED THAT WEAKNESS ON THE PART OF THE WORKING PARTY IS PRIMARILY ATTRIBUTABLE TO THE APPARENT INABILITY OF THE DELEGATIONS, INDIVIDUALLY OR IN VARIOUS SUB-GROUPINGS, TO PROPOSE SPECIFIC REMEDIES,AND THE JAPANESE ARE TAKING ADVANTAGE OF THIS LACK OF INITIATIVE.

THE WORKING PARTY IS TO MEET AGAIN IN EARLY MARCH. IN CONNECTION WITH SECTIONS OF THE WORKING PARTY'S DRAFT REPORT TO THE OECD COUNCIL DEALING WITH ENCOURAGING NON-MEMBER COUNTRIES TO JOIN THE WORKING PARTY OR TO ACCEDE TO WORKING PARTY AGREEMENTS, THE U.S. OBSERVER MADE KNOWN HIS COUNTRY'S RESERVATIONS ON SUCH ACCESSIONS AS THEY WERE ARTICULATED AT UNCLASSIFIED

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THE COUNCIL LEVEL SEVERAL MONTHS AGO.
RENNER

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